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TAGS: [EFIN](#) [EREL](#) [ETRD](#) [PGOV](#) [PREL](#) [XH](#) [UP](#)  
SUBJECT: "CYNICAL" PM BLASTS "INFLEXIBLE" UKRAINE BANK CHIEF

REF: A. KYIV 2464  
[1](#)B. KYIV 2412

Classified By: ECONOMIC COUNSELOR EDWARD KASKA, REASONS 1.4(B) AND (D)

[1](#)1. (C) Summary. Ukraine's Prime Minister Yulia Tymoshenko lashed out at the National Bank of Ukraine (NBU) on December 18, calling for the resignation of NBU Governor Volodymyr Stelmakh and lobbing stinging criticisms at NBU exchange rate policy. Although Tymoshenko has denounced the NBU chief on many previous occasions, she took the opportunity of a major fluctuation in the hryvnia to question the Bank's capacity to handle Ukraine's spiraling economic crisis. Separately, a senior NBU official characterized Stelmakh as "old school, non-transparent, and inflexible" and speculated on his possible replacement. In its defense, the NBU called such criticisms "cynical" and politically motivated. End summary.

[1](#)2. (SBU) In a major news conference widely reported among Ukrainian media outlets, PM Tymoshenko demanded that President Viktor Yushchenko remove NBU Governor Stelmakh from office. She portrayed the NBU's actions on the foreign currency market as manipulative and destabilizing for the hryvnia and the country's banking system. Tymoshenko called on Ukraine's prosecutor general to conduct an investigation of the NBU's foreign exchange interventions, which have been conducted below market rates and facilitated shady insider currency trading (Ref A).

[1](#)3. (C) Stelmakh's fall has been widely rumored in Ukraine's financial circles. One of Stelmakh's key deputies told the Ambassador on December 18 that the NBU Governor was "old school, non-transparent, and inflexible." Oleksiy Berezhniy, a former senior GOU economic advisor and now head of department at the NBU, speculated that four possible replacements for Stelmakh were being considered. He listed former Rada speaker Arseniy Yatseniuk, current NBU council chief Petro Poroshenko, former NBU Governor Sergiy Tihipko, and current first deputy head of the Presidential Secretariat Oleksander Shlapak as the key front runners. As a confidant of President Yushchenko, Shlapak may be too closely associated with presidential chief of staff Viktor Baloha to be confirmed, according to Berezhniy. These insider NBU speculations are consistent with those made by Minister of Finance Viktor Pynzenyk, who had insinuated to the Ambassador on December 4 that a possible replacement of Stelmakh was imminent (Ref B).

[1](#)4. (SBU) The NBU responded publicly to Tymoshenko's comments on December 19, expressing surprise at the "cynical" stance taken by the PM and pointing out that the PM's Cabinet of Ministers had pursued actions "dangerous" to Ukraine's economy. Further shifting blame for Ukraine's worsening

economic crisis, the NBU stated that the "government's unprofessional activity in economic policy management may lead to the country's internal default as early as this December."

15. (C) Comment. Although Tymoshenko has taken a hard line on Stelmakh in the past, her comments on December 18 have particular resonance among Ukraine's wary and weary populace. Stelmakh is now a favorite whipping boy of the press, and he may be holding onto his position solely due to the political backing of President Yushchenko and the soft stance taken by the IMF (Ref A). The rhetorical wars between pro and anti-NBU forces reveal that political rivalries continue to impede real steps to combat the country's growing economic crisis. The negative comments of a senior NBU official, combined with general public enmity stirred up by a failing economy, reveal that Stelmakh's days could be indeed numbered. End comment.  
TAYLOR